
**Annual Report
1985-86**

**Agricultural
Credit Corporation of
Saskatchewan**



Letters of Transmittal

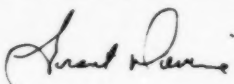
Regina, Saskatchewan
April, 1986

His Honour Frederick W. Johnson
Lieutenant Governor
Province of Saskatchewan

Sir:

I have the honour to present the Annual Report of the
Agricultural Credit Corporation of Saskatchewan for
the fiscal year ended March 31, 1986.

Respectfully submitted,



Grant Devine, Premier
Minister-in-Charge
Agricultural Credit Corporation
of Saskatchewan

Regina, Saskatchewan
April, 1986

Honourable Grant Devine, Premier
Minister-in-Charge
Agricultural Credit Corporation
of Saskatchewan

Sir:

Presented herewith is the Annual Report of the
Agricultural Credit Corporation of Saskatchewan for
the fiscal year ended March 31, 1986.

Respectfully submitted,



Jack Drew
Chairman, Board of Directors
Agricultural Credit Corporation
of Saskatchewan

General Manager's Report

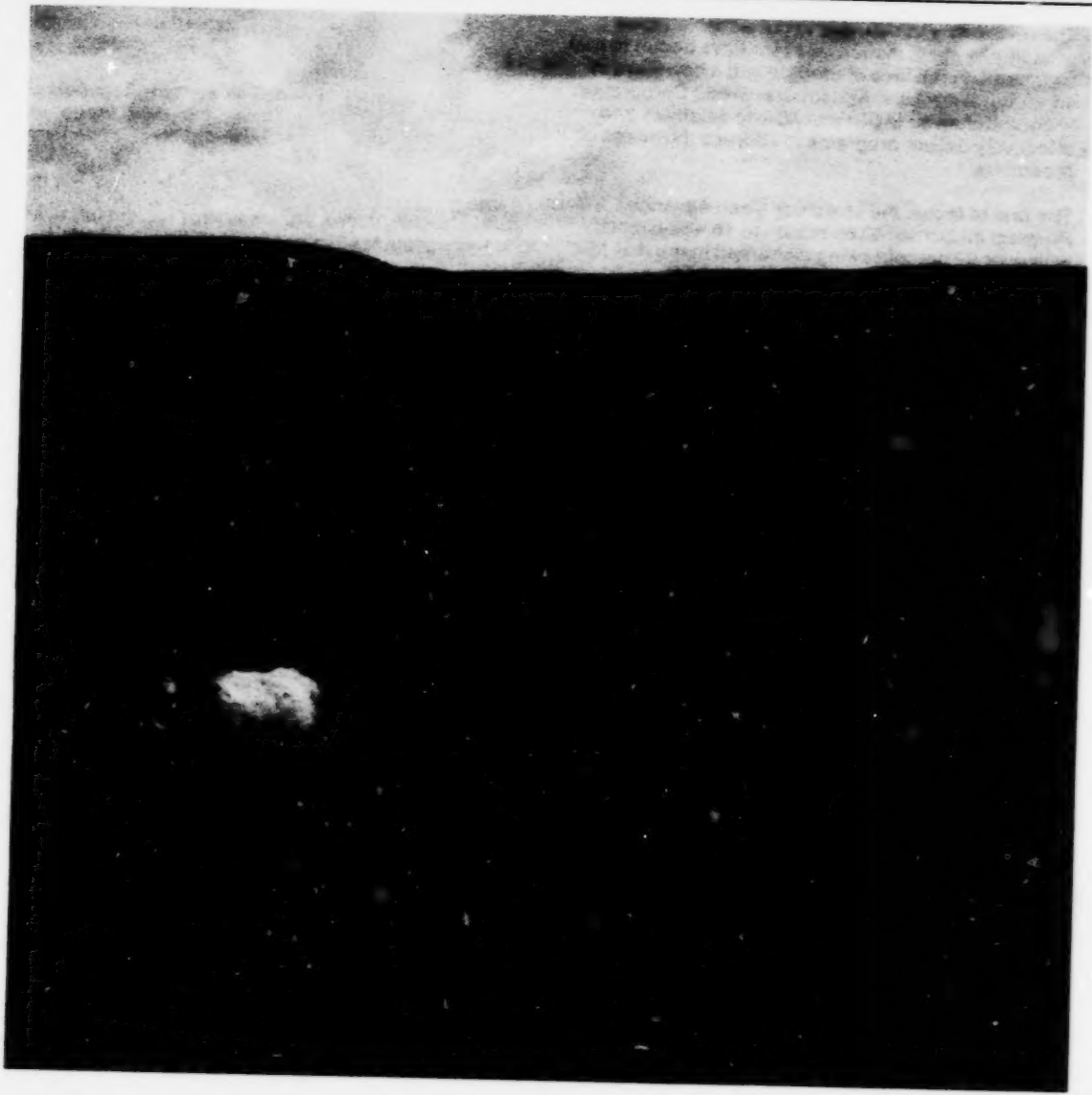
The revisions and changes to our administrative procedures set in motion last year have begun to pay dividends. In the face of drought and a downturn of agricultural markets, Agricultural Credit Corporation of Saskatchewan (ACS) was able to establish and effectively deliver programs to address the needs of producers.

The first of these, the Livestock Cash Advance Program disbursed \$166 million to 16,450 clients, with over 80 percent being disbursed in the first four months of the program. The Production Loan Program, which was significantly larger, provided operating money to assist a majority of farmers to plant this year's crop. This program disbursed over \$967 million to 48,558 producers in under three months. The efforts of our staff in delivering these programs must also be acknowledged.

On the basis of the new programs, ACS has now become a very significant agricultural lender in Saskatchewan with total loans of approximately \$1.3 billion and a client base that includes virtually all Saskatchewan farmers.

The severe economic pressure on the farm economy is reflected in a decline in capital loan approvals from last year, and an increased allowance for loan losses. A moderate increase in delinquency has occurred.

The Corporation has responded to the challenges of this year confidently. We are continuing to strengthen and streamline our operations to enable us to address the challenges of the years ahead. The most prominent of these is the Head Office relocation to Swift Current. Preparations are well on the way to effect this move smoothly and with minimum disruption of service to our clients.



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Organization

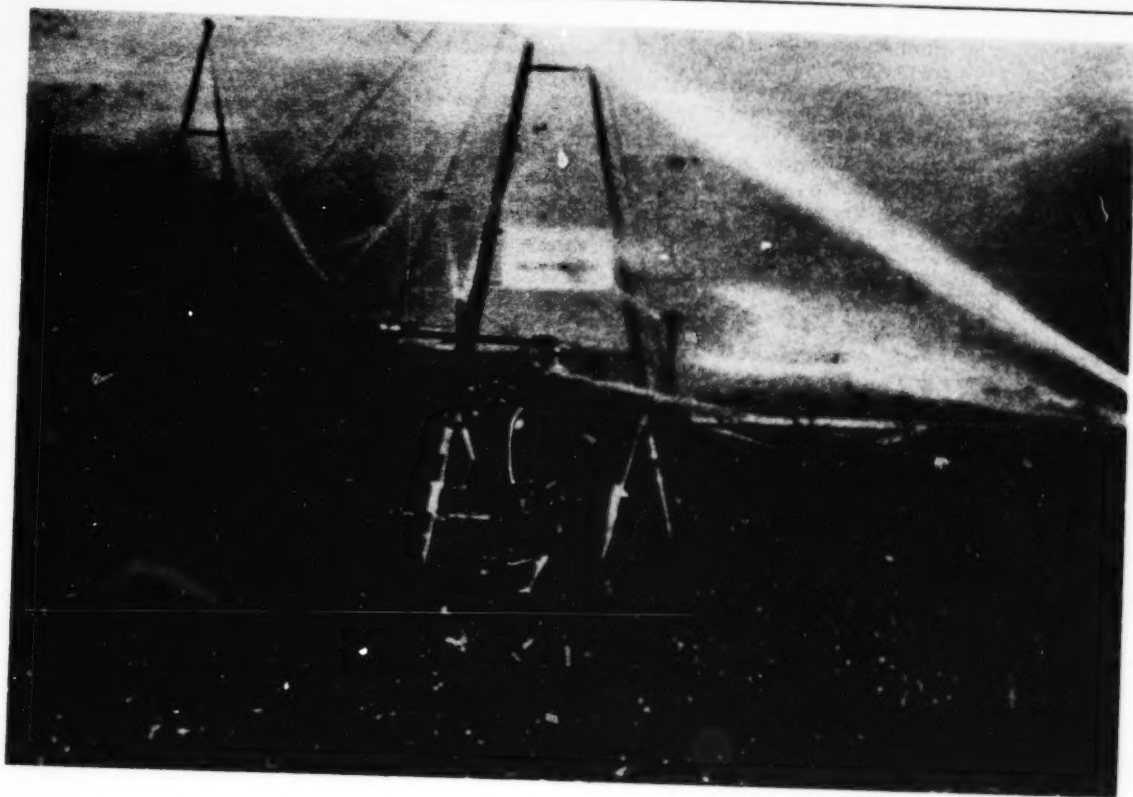
The Agricultural Credit Corporation of Saskatchewan (ACS) is a crown corporation continued pursuant to **The Agricultural Credit Corporation of Saskatchewan Act.**

Reporting to the Minister-in-Charge, a Board of Directors is responsible for managing the affairs of ACS. At March 31, 1986, the members of the Board were Mr. Jack Drew (Chairman), Dr. Gary Storey (Vice-Chairman), Mr. Jim Young, Mr. Albert Nicholauson, Mr. John Schreiner and Mrs. Connie Blacklock.

The Corporation's head office is in Regina and provides senior management, research and centralized administrative functions. Client services are provided by staff in regional and district offices throughout the province. In addition, regular office days are held in other communities in order to provide clients with ready access to the appropriate staff.

Corporate Officers and Senior Staff
(Regina Head Office except where otherwise noted)

General Manager	Norm S. Ballagh
Research Analyst	Oswald L. Henry
Manager of Administration	Morley L. Machin
Senior Accountant	R. James Hood
Senior Administrative Officer	Dennis P. Schmidt
Co-ordinator of Loans and Securities	Robert L. Shoemaker
Manager of Field Operations	Murray D. Shanks
Regional Managers:	
Weyburn	Lyle M. Ballard
Swift Current	Dennis J. Lafreniere
Tisdale	Donald W. Petrar
Saskatoon	Denis H. Côté
North Battleford	Robert I. Foreman



Regional Offices

ACS Office Locations:	Telephone:	ACS Office Locations:	Telephone:
Head Office		North-East Region	
331-3085 Albert Street Regina, Saskatchewan S4S 0B1	(306) 787-6460	Regional Office: Provincial Building 1107-99th Street Box 1480 Tisdale, Saskatchewan S0E 1T0	873-2693
South-East Region		District Offices:	
Regional Office: Weyburn Square 110 Souris Avenue Weyburn, Saskatchewan S4H 2Z9	842-4607	Main Floor — McIntosh Mall 800 Central Ave., Box 3003 Prince Albert, Saskatchewan S6V 6G1	953-2770
District Office: Box 399 Indian Head, Saskatchewan S0G 2K0	695-2263	Box 250 Kelvington, Saskatchewan S0A 1W0	327-4718
South-West Region		A. G. Kuziak Building 72 Smith Street East Yorkton, Saskatchewan S3N 2Y4	783-9743
Regional Office: E. I. Wood Building 350 Cheadle Street West Swift Current, Saskatchewan S9H 4G3	773-2866	North-West Region	
District Offices:		Regional Office:	
Box 250 Assiniboia, Saskatchewan S0H 0B0	642-5955	Provincial Building 1146-102nd Street North Battleford, Saskatchewan S9A 1E9	446-7646
118 W. G. Davies Building 110 Ominica Street West Moose Jaw, Saskatchewan S6H 6V2	694-3618	District Offices:	
Central Region		Box 1000 Shellbrook, Saskatchewan S0J 2E0	747-2151
Regional Office: 3130-8th Street East Saskatoon, Saskatchewan S7K 2H6	933-5353	Box 369 Meadow Lake, Saskatchewan S0M 1V0	236-4441
District Offices:			
Box 9 Outlook, Saskatchewan S0L 2N0	867-8684		
Water Supply Board Building Box 1240 Watrous, Saskatchewan S0K 4T0	946-3395		

Programs Administered by the Agricultural Credit Corporation of Saskatchewan

Agriculture typically accounts for one half of Saskatchewan's gross provincial product and is also a major contributor to Canada's export earnings. The continued growth of this sector will directly benefit farmers and indirectly lead to enhanced opportunities for secondary processing and manufacturing in the province.

A key factor in realizing the sector's growth potential is the availability and terms of credit. Thus ACS uses credit as a tool to achieve its prime objective which is to assist developing farmers to establish profitable units. Emphasis is placed on intensifying and diversifying the agricultural sector through livestock and irrigation enterprises.

A. Capital Loan Program

1. Operation

Criteria

Applicants must make farming their principal occupation and be Canadian citizens or landed immigrants resident in Saskatchewan during the term of the loan.

The net worth of the applicant and spouse must not exceed \$450,000 and their average non-farm income during the previous three years must not exceed \$35,000 for applicants without dependents, \$45,000 for those with dependents.

Purposes

ACS loans may be used for the following:

1. Purchase livestock for breeding purposes.
2. Avoid disposing of livestock.
3. Clear, break and sow land for grazing or perennial forage crops.
4. Construct or renovate buildings, improvements, or facilities and purchase equipment to be used in the establishment or expansion of livestock production.
5. Purchase a maximum of one quarter section of land for the purpose of carrying on intensive livestock operations on that land.
6. Purchase feeder livestock for the purpose of feeding and preparing them for slaughter.
7. Purchase machinery and equipment for the production of irrigated crops.
8. Purchase or construct storage, processing or packaging facilities and equipment for irrigated crops.
9. Carry out any land development work that may be required for the production of irrigated crops.
10. Refinance loans secured by farmers to establish, maintain or expand livestock and irrigated crop production.
11. Assist a farmer to take training related to his farm operation.

Loan Amounts

The maximum loan is \$350,000; the minimum loan is \$10,000.

Interest Rates

Interest rates are fixed for the term of the loan and are based on the applicant's net worth.

Interest rates for subsidized loans are 8% for the first five years, 12% for the next five years and at a rate based on the Corporation's cost of borrowing, at the time of loan approval, for the remaining five years. Prior to March 31, 1986, this last rate was 13%.

Effective January 1, 1986, subsidized loans which are made for livestock facilities are charged 8% for the full term of the loan.

The amount of loan eligible for subsidized rates is reduced from \$350,000 by \$3.50 for every \$1.00 of net worth exceeding \$300,000, with any remaining portion of the loan being at the non-subsidized rate. Prior to March 31, 1986, this rate was 13%.

Interest rates on loans made in prior fiscal years are also fixed for the term of those loans. Depending on the date of loan approval, interest rates vary from 6% to 14%.

Security

ACS security requirements recognize both the need to protect public funds advanced by the program and the ability of developing farmers to provide security.

Security may include assets acquired with loan funds and may be in the form of land mortgages and security agreements on other assets. Guarantees on behalf of the applicant are also acceptable.

All loans must be adequately protected by life insurance. ACS offers a group life insurance program although assignments of other life insurance policies are acceptable.

Application Procedures

Information on the ACS loan program is available from Corporation staff located throughout the province. Department of Agriculture staff, including Agricultural Representatives, also provide information.

Eligibility is determined by the applicant's Statement of Affairs which details net worth and non-farm income and describes the purpose for which loan funds are sought.

If eligible, the applicant must complete a farm plan and other detailed budgets. Assistance is available from ACS field staff to complete these plans which indicate the potential to develop an economically viable farm unit. In addition, counselling and technical advice are available from Farm Management Specialists, Livestock Specialists, Agricultural Engineers and other Department of Agriculture staff.

Once the applicant has completed the farm plan and other budget material, ACS field staff will review the package and make a decision on the loan.

Once the loan agreement and security documents have been completed, funds may be disbursed through the field office upon presentation, by the client, of bills verifying that the expenditure has occurred and is consistent with the proposal submitted by the applicant.

Operating Credit

In addition to the capital funds provided by ACS, many clients need operating credit to enable them to carry out their proposal. Therefore ACS may offer to guarantee an operating loan the client obtains from a commercial lender. These guarantees are available only to those with ACS capital loans.

Operating loan guarantees are based on cash flow projections completed by the client and field staff. If a guarantee is to be provided, the client will be given a guarantee form to take to the commercial lender of his choice. The form will specify the amount and duration of the guarantee as well as the security to be taken.

2. Assistance Provided

During the 1985-86 fiscal year, ACS approved 205 loans totalling \$13,099,775 which represented an increase of 17% over the average loan size of the previous year. Most notable in this trend were bee and beef loans up 69% and 20% respectively.

Beef enterprises remained the major purpose of applications, receiving 44% of approved funds, a decrease over last year's level of 48%. Dairy enterprises continued to increase to 28%, up from 21% last year. Hog enterprises continued to drop from a high of 37% in 1983-84 down to 10%, well below the long term average of 17%.



Table 1
Credit Activity

Year	Number*	Loans	Grants	Total
1973-74	844	\$ 18,478,824	\$ 4,042,760	\$ 22,521,584
1974-75	1,192	25,383,824	5,268,640	30,652,464
1975-76	639	12,996,411	2,648,016	15,644,427
1976-77	348	8,091,300	1,322,666	9,413,966
1977-78	379	10,600,107	1,076,082	11,676,189
1978-79	375	12,891,656	1,370,601	14,262,257
1979-80	658	25,050,263	1,953,457	27,003,720
1980-81	1,059	44,270,642	2,202,218	46,472,860
1981-82	880	36,989,382	1,540,854	38,530,236
1982-83	463	18,108,897	510,719	18,619,616
1983-84	295	13,778,096	0	13,778,096
1984-85	381	20,863,676	0	20,863,676
1985-86	205	13,099,775	0	13,099,775
Total		\$260,602,853	\$21,936,013	\$282,538,866

* Prior to 1978-79: Applications Approved
As of 1978-79: Loans Approved

Table 2
Approvals by Type and Region
For the Year Ended March 31, 1986

Region	Hogs	Beef	Dairy	Irrigation	Other	Total	Number of Loans
Weyburn	\$ 107,000	\$ 867,400	\$1,920,900	\$ 0	\$ 277,650	\$ 3,172,950	39
Swift Current	275,970	1,575,930	98,700	68,800	15,110	2,034,510	38
Tisdale	122,430	747,010	496,710	0	1,327,905	2,694,055	40
Saskatoon	600,000	301,080	563,855	171,700	353,825	1,990,460	28
North Battleford	205,300	2,212,500	565,000	0	225,000	3,207,800	60
Total	\$1,310,700	\$5,703,920	\$3,645,165	\$240,500	\$2,199,490	\$13,099,775	
Number of Loans	25	111	35	7	27		205

Table 3
Loan Disbursement Purposes
For the Year Ended March 31, 1986

Type	Buildings and Improvements	Livestock	Machinery and Equipment
Hogs	81%	15%	5%
Beef	21	67	12
Dairy	56	41	3
Bees	82	14	4
Irrigation	4	0	96

Table 4

Net Approvals by Type

To March 31, 1986

Type	Loans	Amount
Hogs	1,234	\$ 41,714,896
Beef	4,603	118,266,232
Dairy	1,067	54,167,997
Poultry	104	5,880,030
Sheep	75	1,967,406
Bees	162	7,070,008
SSRID Irrigation	88	3,425,623
Other Irrigation	175	9,471,383
Other	49	1,874,597
Total	7,557	\$243,838,172



3. Repayments

At March 31, 1986, there were 3,959 active clients of whom 3,801 had begun loan repayment. The date of first repayment on ACS loans is set to coincide with sale of production and may be established on a monthly, quarterly, semi-annual or annual basis, depending on the enterprise. The maximum loan term is 15 years. Partial or complete repayment of loans may be made at any time without penalty.

At March 31, 1986, arrears amounted to 24% which compares to approximately 21% of a year earlier. The increase in arrears is attributable to the difficult economic situation facing many of the Province's farmers. This increase would undoubtedly have been larger were it not for the efforts of ACS field staff working with clients to re-establish loan repayment arrangements.

4. Client Profile

In order to evaluate the program's effectiveness in assisting developing farmers, the following profiles were developed for individuals approved for loans in 1985-86.

New Farmers

Of the 205 applicants who were approved for loans, 62 reported little or no farm income prior to application. Their average age was 35 years. Non-farm income averaged \$11,436.

These new farmers had average gross assets of \$167,577 and an average net worth of \$68,613. Their debt load was split between \$13,211 short term and \$85,753 longer term. Their average land base was 742 acres, of which 156 were owned.

The average assistance approved was \$96,929 with hog enterprises receiving \$82,864, beef enterprises receiving \$68,734 and dairy enterprises receiving \$169,261.

Expanding Farmers

The remaining 143 applicants already had some farm involvement, reporting an average gross farm income of \$52,165 and an average net farm income of \$6,771. Their average age was 31 years. Non-farm income averaged \$6,565.

These farmers had average gross assets of \$265,534 and an average net worth of \$127,746. Their debt load was split between \$19,565 short term and \$118,223 longer term. Their average land base was 1,073 acres of which 449 were owned.

The average assistance approved was \$76,797 with hog enterprises receiving \$91,523, beef enterprises receiving \$55,214 and dairy enterprises receiving \$128,533.

B. Guaranteed Loan Programs

In addition to the direct loan assistance to farmers ACS administers several loan guarantee programs.

1. Guaranteed Operating Loans (GOL)

To assist those clients who have obtained a capital loan and who lack the necessary finances to meet immediate cash flow requirements, the Corporation provides guaranteed operating loans which are obtained from the lender of the client's choice. Loans guaranteed prior to January 1, 1984, are covered to the extent of eighty percent of any loss to the lender. Subsequent loans are guaranteed to ninety percent.

During the fiscal year, the Corporation guaranteed 12 operating loans totalling \$163,121. As of March 31, 1986, \$100,962 was outstanding.

2. Guaranteed Operating Loans for Feeders (GOLF)

Effective January 1, 1984, ACS implemented the Guaranteed Operating Loans for Feeders program to assist the feedlot industry and to encourage increased cattle feeding in Saskatchewan. To be eligible for assistance an individual must have a net worth of under \$300,000 and non-farm income of under \$35,000. Applicants must also be bona fide farmers.

Loans may be up to \$350,000 for feedlots and up to \$100,000 for farmers having animals custom fed. Loan funds may be used for the purchase of feeders, feed and normal feedlot operating expenses providing cattle are fed in Saskatchewan.

Application is made through banks and credit unions. The program expires December 31, 1986. Lenders will be reimbursed by ACS for eighty percent of any losses under the program. As of March 31, 1986, \$319,750 had been approved for 7 loans.

3. Guaranteed Livestock Loans (GLL)

Beginning October 15, 1974, the Guaranteed Livestock Loans program provided assistance similar to the discontinued Livestock Loans Guarantee Act.

There was no interest subsidy offered under GLL but lenders are limited to charging a maximum of two percent above their prime interest rates. Loans were for seven years and could be used to purchase female cattle and sheep for breeding purposes. Lenders are guaranteed to receive from ACS eighty percent of any loss on these loans.

The program concluded December 31, 1983, although loans and guarantees approved prior to that date will continue. As of March 31, 1986, \$137,697 was outstanding to 41 borrowers.

C. Beef Industry Assistance Programs (BIAP)

In response to low cattle prices, the Corporation provided one year interest free advances in 1974, 1975 and 1976. In the last year, these loans were combined with grants totalling \$31 million. During the three year period loans totalling over \$167 million involving an interest subsidy of almost \$15 million were made.

As of March 31, 1986, outstanding loans totalled \$187,167.

D. Livestock Cash Advance Program (LCAP)

In the summer of 1985, the Corporation implemented the Livestock Cash Advance Program which provides livestock producers with interest free loans based on their livestock inventory to enable them to meet their immediate cash requirements while retaining their animals for future sale.

To be eligible for loans under this program applicants must:

- be an individual actively engaged in farming and a resident in Saskatchewan who is a Canadian citizen or permanent resident of Canada, or
- a partnership, cooperative or a corporation with a head office in Saskatchewan which is principally carrying on business in Saskatchewan with at least one partner, member or shareholder who meets the above qualifications for an individual.

Loans are based on the livestock inventory owned by the applicant as follows:

All Beef and Dairy Cattle	\$125 per head
Horses	\$125 per head
Sheep	\$ 25 per head
Goats	\$ 25 per head
Hogs	\$ 25 per head

The loans are interest free for up to twelve months from the date of disbursement. If the producer reduces his inventory below that on which his loan has been based a proportionate amount of the loan must be paid within 30 days. Any amount in arrears is charged interest at 11 3/4% per annum.

Application forms have been made available through Rural Municipal offices, the Saskatchewan Hog Marketing Board and the Corporation's offices. A one page form which includes an application, a promissory note and an affidavit of verification must be completed.

The first loan under this program was processed August 12, 1985 and to March 31, 1986 a total of \$166,179,650 had been disbursed to 16,020 applicants.

Table 5

Livestock Cash Advance Program Loan Disbursement by Type

For the Year Ended March 31, 1986

Type of Livestock	Number Reported	Loans Disbursed
Beef and Dairy Animals	1,267,371	\$158,421,375
Horses	35,316	4,414,500
Sheep and Goats	26,006	650,150
Hogs	107,745	2,693,625
		\$166,179,650

E. Production Loan Program (PLP)

In January, 1986, the Corporation implemented the Production Loan Program which provides Saskatchewan farmers with loans at a low, fixed rate of interest over several years. The program was introduced to ensure that farmers had enough operating capital for the 1986 crop.

To be eligible for loans under this program, applicants must:

- be actively engaged in farming in Saskatchewan or manage a farm under a custom farming agreement requiring them to purchase the goods and services used in production.
- if an individual, be a Canadian citizen or a permanent resident of Canada and either be a Saskatchewan resident or; if not, have filed income tax returns as carrying on farming in Saskatchewan.
- if a partnership, cooperative or corporation with a head office in Saskatchewan principally carrying on business in Saskatchewan and have at least one partner, member or shareholder who meets the above qualifications for an individual.

Loans are based on the nature and scale of farming operations as follows:

General Crop Production	\$25 per cultivated acre
Potato Production	\$250 per seeded acre
Honey Production	\$25 per bee colony
Greenhouse Production	\$2.50 per square foot

The maximum loan to an individual was \$100,000 while a multiple operator unit could receive up to \$200,000.

The loans bear interest at six percent during the term of the loan which is three years. Payments of one-third of the principal plus accrued interest are due on the three successive anniversaries of loan disbursement. If the scale of farming operations is reduced, below that on which the loan is based, a proportionate amount of the loan must be repaid within 30 days. Any amount in arrears is charged interest at prime plus two per cent per annum.

Application forms were made available through elevator delivery points, the Corporation's offices and by mailing applications to members of potato, honey and greenhouse producer associations. A one page form was used which included an application, a promissory note and an affidavit of verification.

The first loan under this program was processed January 15, 1986 and to March 31, 1986, a total of \$967,543,125 was disbursed to 48,558 applicants.

Table 6

Production Loan Program

For the Year Ended March 31, 1986

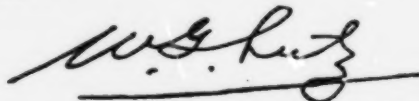
Number of Applications	Cultivated Acres	Loans Disbursed
48,558	38,701,725	\$967,543,125

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of the Agricultural Credit Corporation of Saskatchewan as at March 31, 1986 and the statements of revenue, expenditure and accumulated surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
September 8, 1986,
except as to Note 13 which is as
of April 3, 1987.

W. G. Lutz, F.C.A.,
Provincial Auditor.

Balance Sheet**Statement 1****As at March 31**

Agricultural Credit Corporation of Saskatchewan

	1986	1985
Assets		
Accrued investment income	\$ —	\$ 304,348
Other receivables	250,022	176,228
Loans receivable (Notes 3 and 4):		
Capital loans, net	148,688,161	152,078,843
Production loans, net	876,484,713	—
Livestock cash advances, net	140,521,746	—
Total loans receivable	1,165,694,620	152,078,843
Office equipment, at cost	82,550	77,433
Total Assets	\$1,166,027,192	\$152,636,852
Liabilities and Province's Equity		
Liabilities:		
Bank overdraft less short-term investments	\$ 26,916,623	\$ (23,096,475)
Accrued interest and other payables	7,853,688	5,217,789
Unexpended grants — Province of Saskatchewan (Note 5)	929,146	188,381
Payable to Department of Agriculture (Note 11)	11,026	27,055
Bank loan (Note 6)	5,050,000	250,000
Promissory notes — Province of Saskatchewan (Note 6)	1,045,644,850	—
Long-term debt — Province of Saskatchewan (Note 6)	169,843,000	169,843,000
Total Liabilities	1,256,248,333	152,429,750
Province's Equity:		
Equity in office equipment	82,550	77,433
Accumulated surplus (deficit) (Statement 2)	(90,303,691)	129,669
	(90,221,141)	207,102
Total Liabilities and Province's Equity	\$1,166,027,192	\$152,636,852

(See accompanying notes to the financial statements)

Statement of Revenue, Expenditure and Accumulated Surplus
Year Ended March 31

Statement 2

Agricultural Credit Corporation of Saskatchewan

	1986	1985
Revenue:		
Grants from the Province of Saskatchewan (Note 5)	\$ 45,796,054	\$ 9,169,239
Loan interest	22,278,242	13,909,313
Short-term investment income	969,189	2,886,651
Other revenue	380,133	464,302
Total Revenue	69,423,618	26,429,505
Expenditure:		
Administrative expenses (Schedule I)	3,397,124	3,125,572
Grant program (Notes 5 and 8)	4,386	5,939
Livestock loan interest rebates and guarantees (Note 7)	—	4,313
Interest (Note 6)	38,511,302	20,191,962
Bad debt expense (Note 4)	117,944,166	3,257,643
Total Expenditure	159,856,978	26,585,429
Excess of revenue over expenditure (expenditure over revenue) (Note 13)	(90,433,360)	(155,924)
Accumulated surplus, beginning of year	129,669	285,593
Accumulated surplus (deficit), end of year — to Statement 1	\$(90,303,691)	\$ 129,669

(See accompanying notes to the financial statements)

Statement of Changes in Financial Position
Year Ended March 31

Statement 3

Agricultural Credit Corporation of Saskatchewan

	1986	1985
Cash Provided By (Used In):		
Operating Activities:		
Excess of revenue over expenditure (expenditure over revenue) (Statement 2)	\$(90,433,360)	\$ (155,924)
Add items not requiring or generating cash:		
— Bad debt expense	117,944,166	3,257,643
	27,510,806	3,101,719
Changes in non-cash items:		
— Loan disbursements	(1,146,017,608)	(17,238,624)
— Loan repayments	23,514,728	8,368,020
— Interest receivable, accrued investment income and other receivables	(8,826,509)	(32,479)
— Accrued interest and other payables	2,635,899	64,345
— Unexpended grants payable	740,765	(329,120)
— Payable to Department of Agriculture	(16,029)	(808)
	(1,100,457,948)	(6,066,947)
Financing Activities:		
Repayment of promissory notes	(1,038,000,000)	—
Proceeds from promissory notes	2,083,644,850	—
Proceeds from bank loans	58,300,000	1,000,000
Repayments of bank loans	(53,500,000)	(900,000)
	1,050,444,850	100,000
Net decrease in cash position	(50,013,098)	(5,966,947)
Cash position, beginning of year	23,096,475	29,063,422
Cash position, end of year	\$(26,916,623)	\$23,096,475

Cash position is comprised of cash and short term
investments less bank overdraft.

(See accompanying notes to the financial statements)

Notes to the Financial Statements

March 31, 1986

Agricultural Credit Corporation of Saskatchewan

1. Status of the Corporation

The **Agricultural Credit Corporation of Saskatchewan Act** came into force on January 1, 1984 repealing **The Agricultural Incentives Act**, proclaimed July 3, 1973. This new Act established the Agricultural Credit Corporation of Saskatchewan as a continuance for the corporation known as FarmStart which was previously established by **The Agricultural Incentives Act**. Under this new Act, a fund known as The FarmStart Fund was continued as the Agricultural Credit Corporation of Saskatchewan Fund, through which all transactions reflected in these statements were conducted.

2. Significant Accounting Policies

- a) Grants received from appropriated monies of the Consolidated Fund are used for the purposes specified by the Legislature and a separate accounting is maintained for each type of grant (Note 5). Any surplus remaining from the grants received by the Corporation during its fiscal year is to be repaid to the Consolidated Fund at the end of the fiscal year. The surplus repayable is reflected in the financial statements as a reduction of reported grant revenue.
Amounts recovered (net) from farmers in respect of the grants paid to them in prior years are retained by the Corporation as surplus and are used to fund any program expenditures which exceed the related appropriations received in a particular year.
- b) The Corporation has adopted the accrual method of accounting. An exception to this principle is made in the case of grant programs administered by the Corporation wherein the expense is not recognized until the grant payment is made. Effective August 31, 1982 the grant program was discontinued. Similarly, expenses associated with guaranteeing loans extended by commercial lending institutions are not recognized until a claim for loss is submitted by the institution (Notes 4 and 7).
- c) The short-term investments are stated at cost which approximates market value.
- d) Office equipment is expensed during the year of purchase. To maintain accountability for these assets, they are recorded on the balance sheet as assets with an offsetting equity account.

3. Loans Receivable

Capital Loans

Loans are repayable, with interest, over terms not exceeding fifteen years. The loans bear interest at rates varying between 6% and 14% depending on the year of issue. Security on individual loans varies according to what is considered adequate in the particular circumstances, and includes mortgages on real property, security agreements and guarantees, as well as insurance on the lives of the borrowers.

Under Parts VI, VII and VIII of the Regulations under **The Agricultural Incentives Act**, the Corporation was authorized to make cash advances to cattle farmers for the purpose of maintaining their breeding stock. This program expired on March 31, 1980, and all loans and accrued interest became due and payable. Included in loans receivable are outstanding cash advances of \$277,828 (1985 — \$366,994).

Livestock Cash Advances

Under the Livestock Cash Advance program which was introduced in August, 1985, the Corporation provides livestock producers with loans which are interest free for twelve months from the date of disbursement or less if the number of livestock is reduced (see Note 12). Loans are secured by promissory notes and, where applicable, by shareholder guarantees.

Production Loans

Under the Production Loan Program introduced in January, 1986, the Corporation provides farmers with loans which bear interest at six percent over a term of three years. Loans are secured by promissory notes and, where applicable, by shareholder guarantees.

4. Allowance for Losses

Loans and interest receivable is shown net of allowances for losses as follows. Capital Loans includes an allowance for cash advances (see Note 3) of \$64,539 (1985 — \$60,553).

	1986	1985
Capital Loans		
Principal receivable	\$152,340,056	\$152,313,424
Interest receivable	7,759,502	6,699,391
	160,099,558	159,012,815
Allowance for losses	(11,411,397)	(6,933,972)
	\$148,688,161	\$152,078,843
Production Loans		
Principal receivable	\$965,254,765	\$ —
Interest receivable	7,984,261	—
	973,239,026	—
Allowance for losses	(96,754,313)	—
	\$876,484,713	\$ —
Livestock Cash Advances		
Principal receivable	\$157,127,021	\$ —
Interest receivable	12,690	—
	157,139,711	—
Allowance for losses	(16,617,965)	—
	\$140,521,746	\$ —

The Corporation has made no allowance for expenses that may be incurred in honouring guarantees on outstanding loans extended by commercial lending institutions (Notes 2(b), and 7).

5. Appropriations from Province of Saskatchewan — Department of Agriculture

Under Section 29 of **The Agricultural Credit Corporation of Saskatchewan Act**, the Minister of Agriculture may make grants to the Corporation out of monies appropriated by the Legislature. During the year ended March 31, 1986, grants were received for the payment of administration costs, interest on borrowed funds, losses incurred on loans extended under

the Act, and costs incurred by honouring guarantees made under the Act. Furthermore, the Corporation is required to repay to the Consolidated Fund any surplus remaining from the grants received by it during the year. Amounts recovered (net) from farmers in respect of the grants paid to them in prior years are retained by the Corporation as surplus (Note 2(a)). The following table summarizes activity for the year ended March 31, 1986.

	Administration	Interest Subsidy	Grants to Farmers	Loan Losses	Livestock Loan Guarantees	Total
1985-86						
Total Appropriations	\$3,365,200	\$18,717,000	\$ —	\$27,360,000	\$ —	\$49,442,200
Grant Proceeds Received	\$3,365,200	\$16,000,000	\$ —	\$27,360,000	\$ —	\$46,725,200
Gross Expenditures	3,397,124	38,511,302	4,386	117,944,166	—	159,856,978
Add Surplus Revenue (Note 2(a))	—	—	241,796	—	22,666	264,462
Deduct Unfunded Expenditure (Note 13)	—	—	—	90,697,822	—	90,697,822
Deduct Total Revenue	111,285	23,247,431	246,182	—	22,666	23,627,564
Net Expenditure for Purpose Specified	3,285,839	15,263,871	—	27,246,344	—	45,796,054
Unexpended Grants Payable	\$ 79,361	\$ 736,129	\$ —	\$ 113,656	\$ —	\$ 929,146

6. Borrowing

Under Section 19 of **The Agricultural Credit Corporation of Saskatchewan Act** the Corporation may, with the approval of the Lieutenant Governor in Council, borrow monies from various sources as it deems necessary for its purposes. Section 22 restricts total borrowing by the Corporation to \$2,000,000,000. This limit was increased from \$500,000,000 to \$2,000,000,000 on December 13, 1985.

All funds borrowed under the line of credit are at the bank's prime rate of interest.

As of March 31, 1986 the following advances from the Province of Saskatchewan — Consolidated Fund were outstanding:

Amount	Due Date	Interest Rate
\$ 2,600,000	July 2, 1994	8.58%
4,839,000	August 1, 1994	9.05%
3,733,000	September 3, 1994	8.92%
3,573,000	November 1, 1994	9.25%
3,100,000	December 2, 1994	9.07%
2,397,000	January 2, 1995	8.63%
3,576,000	February 3, 1995	8.46%
4,633,000	March 3, 1995	8.38%
1,500,000	May 1, 1995	8.65%
4,031,000	November 3, 1995	9.48%
3,155,000	December 1, 1995	8.95%
2,036,000	January 5, 1996	9.14%
3,060,000	February 2, 1996	9.07%
7,639,000	March 1, 1996	9.06%
6,399,000	April 1, 1996	9.03%
3,170,000	June 1, 1996	9.00%
5,194,000	August 3, 1996	8.98%
5,000,000	September 1, 1996	9.07%
4,657,000	May 10, 1998	9.49%
13,572,000	June 2, 2000	12.01%
5,735,000	July 3, 2000	11.82%
3,273,000	December 1, 2000	13.30%
1,648,000	January 5, 2001	13.18%
4,372,000	March 2, 2001	13.13%
9,044,000	July 2, 2001	14.81%
7,544,000	September 1, 2001	17.01%
1,551,000	November 2, 2001	17.51%
4,253,000	December 1, 2001	15.93%
5,167,000	January 4, 2002	14.51%
5,441,000	March 1, 2002	16.10%
11,310,000	July 5, 2002	15.38%
9,124,000	August 3, 2002	16.53%
13,517,000	April 5, 2003	11.59%
\$169,843,000		

Short Term Advances

Amount	Due Date	Interest Rate
\$ 500,000,000	June 27, 1986	10.40%
500,000,000	June 27, 1986	10.40%
45,644,850	September 25, 1986	9.5414%
\$1,045,644,850		

The interest expended on each type of debt was as follows:

	1986	1985
Interest on long term advances	\$20,224,484	\$20,178,517
Interest on short term advances	17,471,823	—
Bank Interest	814,995	13,444
	\$38,511,302	\$20,191,961

7. Guaranteed Loans Under The Agricultural Credit Corporation of Saskatchewan Act

As indicated in Note 2(b), the Corporation provides guarantees on loans extended to farmers by commercial banks and credit unions. Until December 31, 1983, guaranteed livestock loans could be made to farmers who expanded their livestock herds and at March 31, 1986, there were \$137,697 in outstanding loans (1985 — \$318,972). These loans are guaranteed for 80% of the outstanding balance. Capital loan clients may also be approved for guaranteed operating loans to help finance their operations. Loans made prior to January 1, 1984 are guaranteed for 80%, and loans made commencing January 1, 1984 are guaranteed for 90% of the outstanding balance. At March 31, 1986, there were \$100,962 in outstanding operating loans (1985 — \$248,443).

8. Commitments

As indicated in Note 2(b), the Corporation does not recognize grant expenditures until the grant payment is made. At March 31, 1986 the Corporation had grants under the Capital Loan Program approved prior to August 31, 1982 but not disbursed of approximately \$12,809 (1985 — \$19,743).

At March 31, 1986, there were approximately \$5,615,454 (1985 — \$9,309,873) in capital loans approved but not yet disbursed.

In March, 1986, the Corporation announced its intention to relocate its Head Office from Regina to Swift Current. This move, which is scheduled to occur in 1987, results in commitments for employee relocation costs and other costs which will be beyond those normally incurred in the operation of the Corporation.

9. Related Party Transactions

In accordance with established government policy, the Corporation has not been charged with certain costs including occupancy of seventeen offices. These costs have been absorbed by various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

Included in these financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and notes thereto.

10. Executive Salaries

Included in Salaries and Benefits on Schedule 1, are executive salaries of \$204,130 (1985 — \$180,624), paid to three executives.

11. Payable — Department of Agriculture

The Corporation administers Conservation and Land Improvement Loans for the Department of Agriculture. Interest received is reflected as accrued interest and other payables. Repayments of principal received from farmers are recorded as payable to the Department of Agriculture.

12. Subsequent Events

Production Loans

Regulations governing the Production Loan Program were expanded in April, 1986, to include bee colonies and in July, 1986 to include potato production and greenhouse production. To September 8, 1986, \$2,155,300 had been lent to bee colony owners and \$251,075 to potato producers; no loans had been made to greenhouse producers. Loans disbursed to all producers under this program totalled \$1,088,479,100 on September 8, 1986.

Livestock Cash Advances

Livestock Cash Advances become due one year from the date of disbursement. Borrowers are eligible to receive new loans based on current livestock numbers. Rather than require borrowers to repay their loans as they become due and subsequently reapply for a new loan, the Corporation, beginning in August, 1986, has provided borrowers with the option of amending the terms of their existing loans to extend the due date of their loans by one year, based on their livestock inventory.

Borrowing Authority

In order to further fund the above programs, the Corporation was empowered in July, 1986 to borrow from the Minister of Finance up to \$1,400,000,000. These loans are to be due and payable within three years from the date of each loan and are to be charged interest at rates as may be agreed to by the Corporation with the lender. To September 8, 1986, \$1,207,644,850 had been borrowed from the Minister of Finance pursuant to this authority.

13. Unfunded Expenditure

Subsequent to the year end, the Corporation determined that an additional allowance for losses of \$90,697,822 was required. Since this provision had not been budgeted for in 1986, it has been excluded from the schedule of grants received and repayable in respect of appropriations from the Province (see Note 5). A special warrant, which authorized funding related to this provision, was issued in March, 1987.

14. Comparative Figures

Certain amounts have been reclassified to conform to current year's presentation.

Schedule of Administrative Expenses
Year Ended March 31

Schedule 1

Agricultural Credit Corporation of Saskatchewan

	1986	1985
Salaries and benefits (Note 10)	\$2,433,431	\$2,304,736
Data processing costs	318,786	173,606
Travel and sustenance	161,109	230,451
Printing and stationery	138,246	31,560
Professional services	113,046	207,329
Telephones	85,939	97,905
Advertising	84,291	12,032
Miscellaneous administrative costs	36,253	28,814
Security agreement registration fees	20,905	31,304
Purchase of office equipment	5,118	7,835
Total administrative expenses	\$3,397,124	\$3,125,572